

## Message Text

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44-S

ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00 L-03 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 9072

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, AU

SUBJECT: ESCAPE CLAUSE ACTION ON SPECIALITY STEEL

REF: VIENNA 5588

1. FOREIGN MINISTRY HAS GIVEN US TEXT OF LETTER FROM FOREIGN MINISTER BIELKA TO SECRETARY KISSINGER OBJECTING TO INCLUSION OF AUSTRIA IN BASKET QUOTA. WE UNDERSTAND LETTER WAS CABLED TO AUSTRIAN EMBASSY WASHINGTON ON AFTERNOON OF JULY 8. FOLLOWING IS TEXT OF LETTER.

2. QUOTE. EXCELLENCY, I WISH TO REFER TO THE PROCLAMATION OF THE PRESIDENT OF JUNE 11, 1976 IMPOSING QUANTITATIVE LIMITATIONS UPON IMPORTS OF SPECIALTY STEEL INTO THE UNITED STATES BY WHICH AUSTRIA'S TOOL STEEL EXPORTS WERE INCLUDED IN A BASKET QUOTA, WHILE ALL OTHER IMPORTANT TOOL STEEL SUPPLIERS WERE GIVEN INDIVIDUAL QUOTAS ACCORDING TO THE AVERAGE OF THEIR DELIVERIES IN THE REFERENCE PERIOD 1971-1975.

THE TOOL STEEL BASKET QUOTA AMOUNTING TO 3600 TONS FOR THE FIRST YEAR-ALTHOUGH APPARENTLY CALCULATED ON THE ANNUAL AVERAGE OF IMPORTS FROM AUSTRIA AND A FEW OTHER MUCH SMALLER SUPPLIERS-HAS BEEN OPENED TO LIMITED OFFICIAL USE

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NEW SUPPLIERS AS WELL. SINCE THE BASKET QUOTA

ESTABLISHES A FIRST COME, FIRST SERVED BASIS AMONG THE BASKET COUNTRIES, SUCH A SYSTEM WILL LEAD INEVITABLY TO VERY DIFFICULT MARKETING CONDITIONS IN WHICH EACH BASKET PARTICIPANT WILL RUSH TO IMPORT ITS PRODUCT INTO THE UNITED STATES, LEST THE QUOTA BE FILLED BY THE REMAINING BASKET COUNTRIES.

AUSTRIA AS A MAJOR EXPORTER OF TOOL STEEL HAS LONG TERM CONTRACTS WITH THE UNITED STATES USERS OF ITS PRODUCT. THE TYPICAL LEAD TIME BETWEEN THE PLACEMENT OF A TOOL STEEL ORDER AND THE IMPORT OF THE PRODUCT THROUGH UNITED STATES CUSTOMS IS APPROXIMATELY EIGHT MONTHS. UNDER THE BASKET QUOTA SYSTEM AUSTRIAN COMPANIES WILL BE UNABLE TO GUARANTEE DELIVERIES TO UNITED STATES CUSTOMERS IN VIEW OF THE LIKELIHOOD THAT THE QUOTA BE CLOSED WITHIN EIGHT MONTHS OF THE PLACEMENT OF THE ORDER. SUCH CONDITIONS OF UNCERTAINTY WILL RESULT IN LOSS OF CUSTOMER CONFIDENCE IN AUSTRIAN SUPPLIERS AND EROSION OF THE LONG TERM COMMERCIAL RELATIONSHIPS BETWEEN AUSTRIAN COMPANIES AND UNITED STATES USERS OF TOOL STEEL.

ALL OTHER MAJOR IMPORTERS HAVE BEEN PROVIDED WITH DEFINITE QUOTAS BASED UPON THE LEVEL OF THEIR TRADITIONAL IMPORTS TO THE UNITED STATES. THEREFORE I FAIL TO UNDERSTAND WHY AUSTRIA AS THE THIRD LARGEST SUPPLIER OF TOOL STEEL TO THE UNITED STATES HAS BEEN TREATED IN AN DIFFERENT WAY AND WHY NO SPECIFIC QUOTA HAS BEEN ESTABLISHED FOR AUSTRIA.

I AM COMPELLED FORMALLY TO OBJECT TO THIS DISCRIMINATION WHICH WILL RESULT IN A MAJOR SETBACK FOR AUSTRIAN TOOL STEEL DELIVERIES TO THE UNITED STATES. AUSTRIA HAS BEEN A STEADY SUPPLIER OF TOOL STEEL TO THE AMERICAN MARKET FOR A LONG TIME AND HAS APPLIED GREAT EFFORTS AND PARTICULAR CARE TO BUILD UP SOLID COMMERCIAL RELATIONS WITH AMERICAN CUSTOMERS. THE MECHANISM OF A QUOTA SHARED WITH SMALL, BUT NUMEROUS OTHER SUPPLIERS WOULD SERIOUSLY JEOPARDIZE THESE RELATIONS.

TO WAID AND SEE UNTIL INJURY HAS BEEN INFLICTED DOES NOT SEEM A PROPER SOLUTION. EVEN IF REMEDIAL ACTION WERE TO BE TAKEN IN CASE OF INJURY DEMONSTRATED LIMITED OFFICIAL USE

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STRABLY SUFFERED, SUCH ACTION WOULD ONLY HELP FOR THE FUTURE, BUT WOULD NOT COMPENSATE THE AUSTRIAN SPECIALTY STEEL INDUSTRY FOR DAMAGES ALREADY INCURRED AS WELL AS FOR THE LOSS OF CUSTOMERS.

IN ACCORDANCE WITH THE PROVISION CONTAINED IN ITEM (D) OF THE ANNEX TO THE PRESIDENT'S PROCLAMATION, I WOULD THEREFORE STRONGLY URGE THAT A SPECIFIC QUOTA QUANTITY FOR TOOL STEEL BE ALLOCATED TO AUSTRIA AS

PROPOSED BY THE AUSTRIAN REPRESENTATIVES IN THE COURSE  
OF THE DISCUSSIONS WITH THE OFFICE OF THE SPECIAL  
TRADE REPRESENTATIVE HELD PRIOR TO THE PROCLAMATION'S  
ANNOUNCEMENT. WE STAND READY TO DISCUSS AT YOUR  
CONVENIENCE ANY QUESTION COMING UP IN THIS CONTEXT.

FOR THE TIME BEING, I DO NOT WISH TO ELABORATE ON  
MY GOVERNMENT'S VIEW ON THE PRINCIPLE OF AN ESCAPE  
CLAUSE ACTION IN THE PRESENT CASE SINCE THIS MATTER IS  
ALREADY UNDER DISCUSSION IN THE APPROPRIATE INTER-  
NATIONAL ORGANIZATIONS.

ACCEPT, SIR THE ASSURANCES OF MY HIGHEST CON-  
SIDERATION. DR. ERICH BIELKA, FEDERAL MINISTER FOR  
FOREIGN AFFAIRS OF AUSTRIA. END QUOTE.BUCHANAN

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXT, POLICIES, DIPLOMATIC COMMUNICATIONS, TRADE CONTROLS, STEELS  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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